

## **INFORMATION BULLETIN #26**

### **SALES TAX**

**DECEMBER, 2002**

**(Replaces Bulletin #26, dated April 1983)**

**DISCLAIMER:** Information bulletins are intended to provide nontechnical assistance to the general public. Every attempt is made to provide information that is consistent with the appropriate statutes, rules and court decisions. Any information, which is not consistent with the law, regulations, or court decisions is not binding on either the Department or the taxpayer. Therefore, the information provided herein should serve only as a foundation for further investigation and study of the current law and procedures related to the subject matter covered herein.

**SUBJECT:** Dry Cleaning and Laundry Establishments Rental and Nonrental Services

**REFERENCES:** IC 6-2.5-4, IC 6-2.5-5-8, 45 IAC 2.2-5-15

### **I. Nonrental Services**

The service provided by persons engaged in the operation of laundries or dry cleaning establishments is generally not subject to the Indiana sales tax.

All purchases by laundries and dry cleaning establishments of tangible personal property used in the operation of such businesses are subject to the sales tax, including the purchase of:

1. Detergents;
2. Cleaning fluids;
3. Machinery and equipment;
4. Utilities consumed in the operation of the business, and
5. All wrapping materials, including garment bags and hangers.

The above rules apply uniformly to coin operated dry cleaning, conventional dry cleaning, industrial dry cleaning, and the laundry businesses.

## **II. Clean Linen, Towel and Uniform Rental Services**

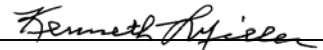
This subsection deals with the application of the sales and use tax to the rental of linens, towels, uniforms, and other garments owned by dry cleaners or laundries to their customers.

For the purpose of sales and use tax, total receipts from the rental of clean linens, towels, uniforms and other garments are subject to sales tax, and the operators of such businesses are retail merchants required to collect the tax from their customers. If not so collected, the tax becomes the liability of the lessor as well as customer-lessee. Out-of-state operators furnishing such clean linen, towel, uniform and garment rental service to Indiana customers are engaged in local intrastate business and are required to register as Indiana Retail Merchants and to collect and remit Indiana sales tax.

The subsequent sale of any tangible personal property which has been rented or leased is subject to the sales tax.

Tangible personal property purchased expressly for rental use, such as linens, towels, uniforms and other garments as well as wrapping materials in which such rented property is furnished to customers is exempt from sales and use tax liability on the purchase thereof.

The purchase from Indiana suppliers by operators of such rental service of all materials, supplies, tools and equipment, including soaps, detergents cleaning fluids, deodorants, bleaches, water, electricity, gas washers, dryers, ironers, mangles and all other tangible personal property used in carrying on such rental business, is subject to sales tax. Sellers must collect the tax on such purchases. All such purchases by any laundry, dry cleaner or operators of a rental service on which Indiana sales tax is not paid at the time of purchase, including purchases out-of-state, are subject to payment of use tax by the purchaser.



Kenneth L. Miller  
Commissioner